

# HALIFAX DEVELOPMENTS LIMITED ANNUAL REPORT 1980





## OFFICERS

J. J. Jodrey	Chairman of the Board
D. R. Sobey	President
D. B. Hyndman	Executive Vice-President and Secretary
A. R. Harrington	Vice-President
L. A. Kitz, Q.C.	Vice-President
J. M. Doull	Vice-President
R. A. MacLaine	Comptroller and Assistant Secretary

## BOARD OF DIRECTORS

H. P. Connor	Deputy Chairman, Central Trust Company
*A. R. Harrington	Business Executive
*D. J. Hennigar	Atlantic Regional Director, Burns Fry Limited
J. J. Jodrey	Chairman and President, Minas Basin Pulp & Power Company Limited
J. H. Mowbray Jones	Director, Hermes Electronics Limited
L. A. Kitz, Q.C.	Senior Partner, Kitz, Matheson, Green & MacIsaac
M. H. D. McAlpine	President, Robert McAlpine Limited
J. T. MacQuarrie, Q.C.	Partner, Stewart, MacKeen & Covert
†H. B. Rhude, Q.C.	Chairman and Chief Executive Officer, Central Trust Company
W. H. Richardson	President, Balcom-Chittick Limited
*D. R. Sobey	President, Halifax Developments Limited
F. H. Sobey	Honorary Chairman of the Board, Sobeys Stores Limited

\*Members of Audit Committee

†Resigned November 27, 1980

## BANKER

The Bank of Nova Scotia

## SOLICITORS

Kitz, Matheson, Green & MacIsaac;  
Stewart, MacKeen & Covert

## AUDITORS

H. R. Doane and Company

## TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, Halifax, Montreal, Toronto,

## LISTED

Toronto Stock Exchange

## HEAD OFFICE

Barrington Tower, Scotia Square, Halifax, Nova Scotia



# Financial Highlights

	1980	1979	1978	1977	1976
Gross Income	<b>\$13,985,868</b>	\$12,465,746	\$11,821,090	\$11,056,903	\$8,900,743
Income before Income Taxes and Extraordinary Income	<b>\$ 708,371</b>	\$ 907,053	\$ 992,157	\$ 447,748	\$ 528,524
Per Share	<b>16¢</b>	20¢	22¢	10¢	12¢
Extraordinary Income	—	—	\$ 206,561	—	—
Deferred Income Taxes	<b>\$ 473,801</b>	\$ 498,884	\$ 478,131	\$ 228,135	\$ 249,055
Net Income	<b>\$ 234,570</b>	\$ 408,169	\$ 720,587	\$ 219,613	\$ 279,469
Per Share	<b>5¢</b>	9¢	16¢	5¢	6¢
Cash Flow	<b>\$ 1,496,019</b>	\$ 1,654,663	\$ 1,913,523	\$ 1,166,405	\$1,121,101
Per Share	<b>33¢</b>	37¢	43¢	27¢	26¢
Average Shares Outstanding	<b>4,463,705</b>	4,463,705	4,415,705	4,319,705	4,319,705
Shareholders' Equity	<b>\$ 9,873,168</b>	\$ 9,906,420	\$ 9,766,073	\$ 8,868,805	\$8,735,586
Book Value Per Share	<b>\$ 2.21</b>	\$ 2.22	\$ 2.19	\$ 2.05	\$ 2.02
Municipal Taxes Paid Directly By Halifax Developments Limited	<b>\$ 2,767,187</b>	\$ 1,980,425	\$ 1,847,730	\$ 1,762,063	\$1,595,590

For the information of shareholders,  
the valuation day value of the  
company's common stock for  
capital gains tax purposes as  
published by the Department  
of National Revenue Taxation is \$1.85



Although the surplus market of office space prevalent during the past period continued into the early months of 1980, your Company has been successful in maintaining a high level of occupancy. Its jointly-owned affiliate, Durham Leaseholds Limited, however, did not achieve such high operating levels until late in the year when the market for office space improved materially.

Halifax Developments Limited reports improved results on its own operations of Scotia Square, but on a consolidated basis, a decrease in cash flow to \$1,496,019 (33¢ per share) from \$1,654,663 (37¢ per share) in 1979. Consolidated net income amounted to \$234,570 (5¢ per share) compared to \$408,169 (9¢ per share).

The unfavourable impact of Durham's operations for 1980 will not have this same effect in 1981 due to the improvement in occupancy in their buildings and the success of Barrington Place.

Total dividends of 6¢ per share were declared and paid during 1980, being the same amount as in 1979.

Your Company's latest project, Plaza 1881, a 155 unit deluxe apartment building, accepted its first tenants in May 1980. Occupancy has exceeded management's projections and current vacancy is less than 10%. The building incorporates a limited amount of commercial office space with health club and swimming pool facilities for all residential tenants of Scotia Square.

During the past period of high vacancy, your Company has been successful in maintaining a high level of occupancy in office space. However, severe competition has at times depressed rents to a less than adequate return. Occupancy should continue at a high level with more realistic rates, as no large new office structures will be opening in the immediate future.

The first two residential buildings make a contribution to your Company's profit, but have been forced to operate at less than adequate rates of return on investment due to the Province's restrictive rental control.

Revenues from our parking operations and retail mall continue to expand and contribute to profit. The pedestrian bridge connection between Scotia Square and Barrington Place and Delta's Barrington Inn has meant increased traffic for both retail complexes.

During the year your Company assumed operating management responsibility for Durham Leaseholds Limited. It also transferred its 50% investment to a wholly-owned subsidiary, Halifax Developments Investments Limited. There has been a marked improvement in occupancy levels in both the Royal Bank and the Bank of Commerce Towers and at year end both towers were close to full occupancy. Durham's newest project, Barrington Place, containing 55 shops and Barrington Inn, the 203 room hotel operated by Delta Hotels Limited, opened in March and has been an instant success with Haligonians and visitors alike.

Your Company continues to review the potential of the Trade Mart site and associated lands and as well, Durham Leaseholds Limited is reviewing plans for the development of Phase III of Barrington Place.

With continued faith in Atlantic Canada's future, the Company is seeking to diversify its investments and to fully utilize its cash flow. Consequently, another subsidiary, Halifax Developments Holdings Limited purchased 168,000 common shares from treasury in Nova Scotia Savings & Loan Company, representing 14.9% of that Company's capital.

The high rates of business realty and occupancy taxes in the City of Halifax are having a major impact on the operating results of all companies in the City. Last year the Company reported dramatic increases in assessed values of its properties. These assessments were appealed and at the initial appeal level were successful in obtaining a major reduction. Provincial authorities have appealed to a higher court and your Company's position will continue to be defended. Halifax Developments Limited and Durham Leaseholds Limited, jointly with their tenants, are major tax payers in the City of Halifax. In 1980, \$5,200,000, representing approximately 9% of total taxation revenue of the City came from these properties. As the capital city of Nova Scotia, Halifax has large institutional properties which it must service, but from which it receives little or no compensation in the form of grants in lieu of tax. The Companies are proud of their contribution to the economy of the City, yet caution that taxation in the City of Halifax has reached a level that could hinder further development and economic growth.

H. B. Rhude resigned as a Director of the Company in November. His resignation was reluctantly accepted by the Board of Directors. His advice and council, which was especially important in the formative years of the Company, will be missed.

At a Meeting of the Board of Directors on March 6, 1981, D. B. Hyndman, Executive Vice-President of the Company, was appointed to fill the vacancy created by the resignation of H. B. Rhude.

Despite the uncertain economic outlook, we are cautiously optimistic that results for 1981 will exceed those of the past year even after absorbing the extra high interest expense related to Plaza 1881.

The Board of Directors extends its thanks for the continued efforts put forth by the Employees.

J J J Sidney.

Charles S. Key



# Consolidated Statement of Income

	December 31	
	1980	1979
Gross income	<b>\$13,985,868</b>	\$12,465,746
Operating expenses	<b>9,009,899</b>	7,510,317
	<b>4,975,969</b>	4,955,429
Interest on long term debt	<b>3,232,648</b>	3,299,752
	<b>1,743,321</b>	1,655,677
Depreciation	<b>732,841</b>	692,135
Amortization	<b>54,807</b>	55,475
	<b>787,648</b>	747,610
Income from operations	<b>955,673</b>	908,067
Investment income (loss)	<b>(247,302)</b>	(1,014)
Income before income taxes	<b>708,371</b>	907,053
Deferred income taxes	<b>473,801</b>	498,884
Net income	<b>\$ 234,570</b>	\$ 408,169
Earnings per share	<b>\$ .05</b>	\$ .09

# Consolidated Statement of Retained Earnings

	December 31	
	1980	1979
Retained earnings, beginning of year	<b>\$1,599,698</b>	\$1,459,351
Net income	<b>234,570</b>	408,169
	<b>1,834,268</b>	1,867,520
Dividends	<b>267,822</b>	267,822
Retained earnings, end of year	<b>\$1,566,446</b>	\$1,599,698

## ASSETS

1980

1979

Receivables	\$ 452,054	\$ 535,501
Prepaid expenses	351,833	355,234
Performance deposit	150,000	150,000
Marketable securities, at cost (market value \$2,352,000)	2,184,000	—
Investment in corporate joint venture (Note 2)	3,391,707	1,363,589
Land, buildings and equipment (Note 3)	56,087,648	52,316,820
Other (Note 4)	585,828	640,635

**\$63,203,070**

\$55,361,779

J J J Tracy.

Harriet L. May

Director

The accompanying notes form part of this statement.



## Balance Sheet

<b>LIABILITIES</b>	<b>December 31</b>	
	<b>1980</b>	<b>1979</b>
Bank indebtedness (Note 5)	<b>\$ 6,922,828</b>	\$ 1,057,150
Payables and accruals	<b>1,226,693</b>	2,104,148
Long term debt (Note 6)	<b>42,824,965</b>	40,412,446
Deferred income taxes	<b>2,355,416</b>	1,881,615
	<b>53,329,902</b>	45,455,359
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Authorized — 5,000,000 common shares without nominal value		
Issued and outstanding — 4,463,705 shares	<b>8,306,722</b>	8,306,722
Retained earnings	<b>1,566,446</b>	1,599,698
	<b>9,873,168</b>	9,906,420
	<b>\$63,203,070</b>	\$55,361,779

### AUDITORS' REPORT

#### To the Shareholders of Halifax Developments Limited

We have examined the consolidated balance sheet of Halifax Developments Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in cash position for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company  
Chartered Accountants

Halifax, Nova Scotia  
February 20, 1981

# Consolidated Statement of Changes in Cash Position

	December 31	
	1980	1979
Source		
Operations		
Net income	\$ 234,570	\$ 408,169
Depreciation	732,841	692,135
Amortization	54,807	55,475
Deferred income taxes	473,801	498,884
<b>Cash flow</b>	<b>1,496,019</b>	<b>1,654,663</b>
Proceeds from income debenture		5,000,000
Increase in current bank indebtedness	5,865,678	16,451
Increase in long term bank loans	3,183,000	
Net change in other assets and liabilities	(790,607)	846,669
	<b>\$9,754,090</b>	<b>\$7,517,783</b>
Application		
Investment in marketable securities	\$2,184,000	
Increase in investment in corporate joint venture	2,028,118	400,991
Land, buildings and equipment	4,503,669	5,693,308
Repayment of long term debt	770,481	709,662
Decrease in long term bank loans		446,000
Dividends	267,822	267,822
	<b>\$9,754,090</b>	<b>\$7,517,783</b>
<b>Cash flow per share</b>	<b>\$ .33</b>	<b>\$ .37</b>



# Notes to Consolidated Financial Statements

## 1. Accounting policies

- (a) The company's accounting policies and its standards of disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.
- (b) The accounts of its wholly owned subsidiaries, Halifax Parking Limited, Halifax Developments Holdings Limited and Halifax Developments Investments Limited have been included in these consolidated financial statements. Durham Leaseholds Limited, a corporate joint venture is accounted for herein using the equity method of accounting.
- (c) Depreciation on buildings is recorded on a 5%, forty year sinking fund basis. The depreciation charge increases annually and consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 5% so as to fully depreciate buildings over a forty year period. The depreciation charged on buildings in the fortieth year will be approximately seven times the amount charged in the first year.
- (d) The company follows the tax allocation basis of accounting. Accordingly, full provision is made for income taxes that are deferred primarily as a result of the timing difference between the depreciation provided for accounting purposes and that claimed for income tax purposes.

## 2. Investment in corporate joint venture

The company's 50% interest in the corporate joint venture, Durham Leaseholds Limited is accounted for on the equity basis and is made up as follows:

	1980	1979
Shares, at cost	<b>\$2,592,650</b>	\$ 150
Share of earnings, equity basis	<b>49,057</b>	270,939
Demand notes, at cost		1,092,500
Advances	<b>750,000</b>	
	<b>\$3,391,707</b>	\$1,363,589

## 3. Land, buildings and equipment

	1980	1979
Buildings and equipment	<b>\$59,419,250</b>	\$48,873,809
Less: accumulated depreciation	<b>5,126,747</b>	4,393,906
	<b>54,292,503</b>	44,479,903
Land	<b>1,795,145</b>	1,794,330
Construction in progress		6,042,587
	<b>\$56,087,648</b>	\$52,316,820

## 4. Other

The other assets of the company consist of the following:

	1980	1979
Unamortized bond discount and expenses (a)	<b>\$424,901</b>	\$468,213
Excess of purchase cost of subsidiary over net book value of assets acquired (b)	<b>160,927</b>	172,422
	<b>\$585,828</b>	\$640,635

- (a) Amortization of the bond discount and expenses is recorded on a straight-line basis over the terms of the respective bond issue.
- (b) This amount is being charged against operations on the straight-line basis over a period of 20 years. Accumulated amortization to December 31, 1980 is \$68,970.

## 5. Bank indebtedness

The bank indebtedness is secured by a general assignment of book debts.



6. Long term debt

	1980	1979
8% First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of \$91,585 principal and interest. Additional interest calculated at 4 $\frac{1}{4}$ % of gross annual rentals from specifically mortgaged premises, is payable at not less than \$100,000 nor more than \$150,000 in any one fiscal year of the company.	<b>\$9,715,206</b>	\$10,035,814
9 $\frac{1}{8}$ % First Mortgage Bonds, Second Series, due October 1, 1988 repayable in level monthly installments of \$52,095 principal and interest.	<b>6,063,300</b>	6,141,552
8 $\frac{1}{4}$ % First Mortgage loan repayable in level monthly installments of \$17,533 principal and interest to July 1, 1993.	<b>1,649,490</b>	1,722,816
9% First Mortgage loan repayable in level monthly installments of \$22,436 principal and interest to April 1, 2000.	<b>2,476,040</b>	2,524,167
10 $\frac{1}{2}$ % First Mortgage loan repayable in level monthly installments of \$16,118 principal and interest to October 20, 2005.	<b>1,742,930</b>	1,756,448
10 $\frac{1}{4}$ % First Mortgage loan repayable in level monthly installments of \$72,908 principal and interest to June 30, 1992.	<b>7,699,999</b>	7,796,649
8% General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993.	<b>2,490,000</b>	2,565,000
8% General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994.	<b>885,000</b>	910,000
9 $\frac{3}{4}$ % General Mortgage Sinking Fund Bonds, Series C, due April 1, 1999.	<b>1,920,000</b>	1,960,000
Income debenture, due on or before December 31, 1983.	<b>5,000,000</b>	5,000,000
Term loan— Plaza 1881.	<b>3,183,000</b>	
	<b>\$42,824,965</b>	\$40,412,446

The income debenture is secured by a first fixed charge on the Plaza 1881 development plus a floating charge over all other assets of the company subject to the liens of bondholders

Estimated principal and sinking fund payments during the next five fiscal years are as follows:

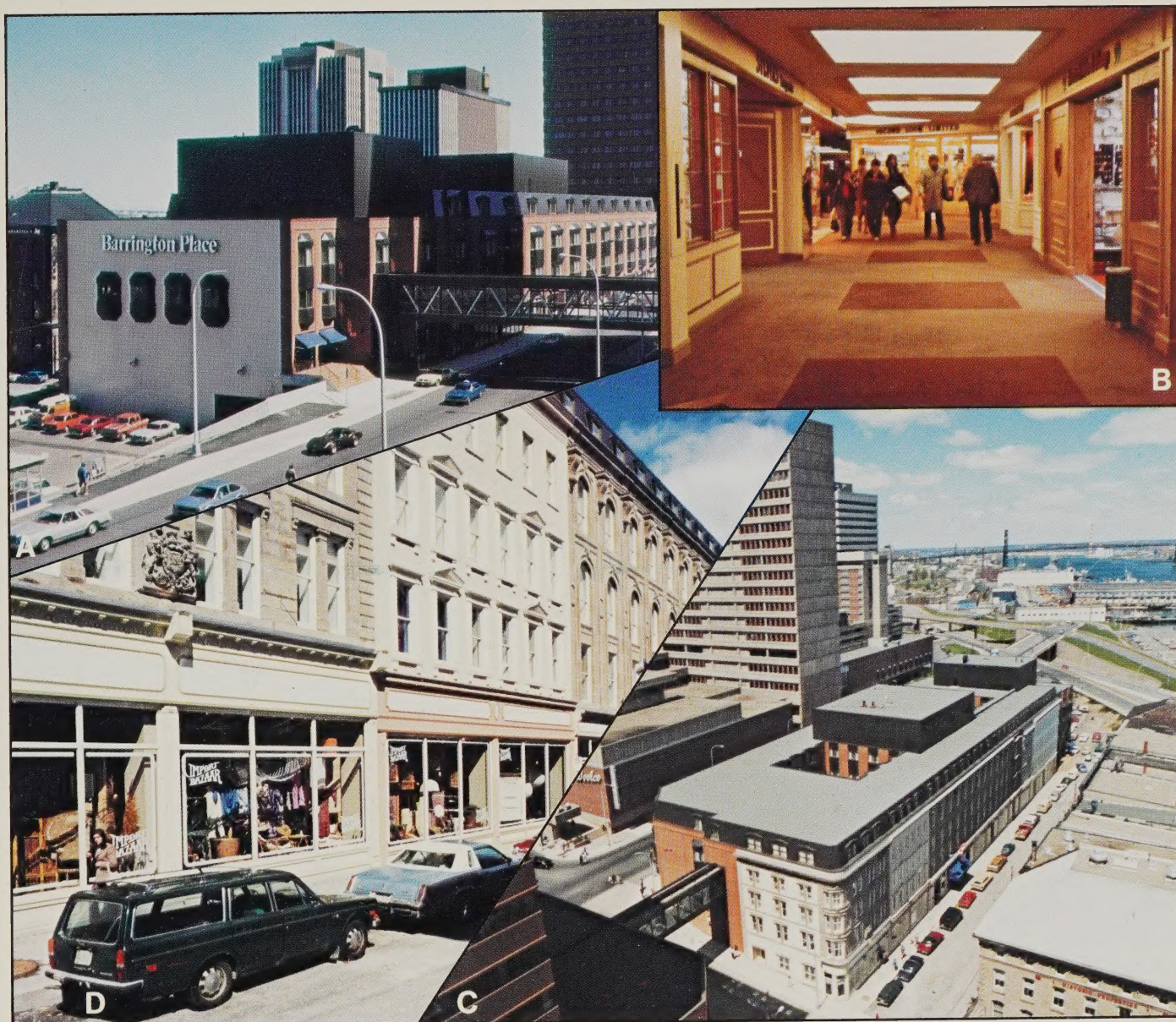
1981	\$ 837,000
1982	\$ 887,000
1983	\$ 960,000
1984	\$1,013,901
1985	\$1,218,836

7. Contingent liabilities

The company has guaranteed bank loans and lines of credit as follows:

- (i) Guarantee for \$2,600,000 on behalf of Halifax Developments Investments Limited;
- (ii) Guarantee for \$2,200,000 on behalf of Halifax Developments Holdings Limited;
- (iii) Guarantee for \$750,000 on behalf of lines of credit for Durham Leaseholds Limited.





Pictured above are various vistas of Barrington Place, developed by Durham Leaseholds Limited, a joint venture company between Halifax Developments Limited and Oxford Development Group Limited.

**A** The pedestrian pedway linking Barrington Place to Scotia Square with the Bank of Commerce and the Royal Bank buildings, both owned by Durham Leaseholds Limited, in the background.

**B** The fashion mall of Barrington Place immediately adjacent to the lobby of Barrington Inn, operated by Delta Hotels Limited.

**C** An overall view of Barrington Place with Scotia Square in the background. The pedway in the foreground connects Barrington Place to the Bank of Commerce building.

**D** The restored facade of Granville Street. These fronts were painstakingly removed, stone by stone, then rebuilt to maintain the historical theme of the street. Barrington Place has received a Halifax Board of Trade Beautification award in recognition of community improvement. The development has been praised by architects and historical societies throughout North America because of its uniqueness and authenticity.



